

ORIGINAL

FENNEMORE CRAIG, P.C.

RECEIVED
903 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
(602) 916-5000



0000132453

Patrick J. Black
Direct Phone: (602) 916-5400
Direct Fax: (602) 916-5600
pblack@fclaw.com

2012 APR 17 P 4:18

AZ CORP COMMISSION
DOCKET CONTROL

Law Offices

Phoenix (602) 916-5000
Tucson (520) 879-6800
Nogales (520) 281-3480
Las Vegas (702) 692-8000
Denver (303) 291-3200

April 12, 2012

Arizona Corporation Commission

DOCKETED

APR 17 2012

Chairman Gary Pierce
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

| | |
|-------------|-----------|
| DOCKETED BY | <i>MW</i> |
|-------------|-----------|

Re: Acquisition of all outstanding and issued membership interests in
Hydro Star, LLC (parent of Utilities Inc.) by Corix Utilities.

Dear Chairman Pierce:

On February 27, 2012, Corix Utilities, LLC ("Corix") entered into a Stock Purchase and Sale Agreement ("Agreement") with Highstar Capital II Prism Fund, L.P., Highstar Capital Fund II, L.P., Hydro Star Interco LLC and American General Life Insurance Company ("Sellers") for all the outstanding membership interests in Hydro Star, LLC, which is the parent company of Utilities, Inc. Utilities Inc. owns and operates three Arizona public service corporations; Bermuda Water Company, Perkins Mountain Water Company and Perkins Mountain Utility Company.

As the forgoing reflects, the transaction will occur at several levels above the Arizona operating subsidiaries, as well as Utilities Inc. Thus, Utilities Inc. will continue to be the sole shareholder of the operating subsidiaries which, in turn, will continue to own and operated all of its respective assets.

The purpose of this letter is to provide the Arizona Corporation Commission ("Commission") notice of the Agreement, while confirming that such transaction does not require Commission approval pursuant to is Affiliated Interest Rules ("Rules"). A.A.C. R14-2-801, *et seq.*, requires Class A investor-owned utilities to seek Commission approval of what would be considered a reorganization under the Rules. However, because neither Bermuda Water Company nor the two Perkins entities' annual revenue exceed \$5 million, they are not Class A utilities subject to the requirements set forth in the Rules. Accordingly, we have opined to Utilities Inc., that no approval by the Commission is required since the above-referenced Rules do not apply to this transaction.

FENNEMORE CRAIG, P.C.

Chairman Gary Pierce

April 12, 2012

Page 2

Please advise if you or the Commission have any questions or comments concerning the transaction. In the event you require additional information, or desire further briefing on the matter, we will be pleased to do so.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Black', with a long horizontal stroke extending to the right.

Patrick J. Black

c: Steve Olea, Utilities Division Director
Steve Lubertozzi, Utilities Inc.
John Stover, Utilities Inc.

6870961.1/029232.0003